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January 31, 2007

VIA EFILING AND HAND DELIVERY

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Petition of the Office of Regulatory Staff to Establish Dockets to Consider Implementing the Requirements of Section 1251 (Net Metering and Additional Standards) of the Energy Policy Act of 2005
PSC Docket No.: 2005-385-E

Enclosed for filing please find the original one copy of (1) copy of the Office of Regulatory Staff's Comments in the above referenced docket.

Please note that the attached documents are exact duplicates, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions.

Please date stamp the one extra copy for our office and return it to me via our courier and do not hesitate to let me know if you have any questions.

Sincerely,

Nanette S. Edwards
Shannon Bowyer Hudson

NSE-SBH/pjm
Enclosure

cc: Parties of Record

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
Docket No. 2005-385-E**

In Re: Petition of the South Carolina)	
Office of Regulatory Staff to Consider)	
Implementing the Requirements Of)	COMMENTS
Section 1251 (Net Metering and)	
Additional Standards) of the)	
Energy Policy Act of 2005)	
_____)	

BACKGROUND

On August 8, 2005, President Bush signed the Energy Policy Act of 2005 (“the EPAct”). The EPAct requires state commissions, with respect to each electric utility for which the state commission has ratemaking authority, to consider certain standards to encourage better utilization of energy resources.¹ The Public Service Commission of South Carolina (“the Commission”) initiated Docket No. 2005-385-E to consider the standards and by Order No. 2006-380 established February 1, 2007 as the due date for comments. The South Carolina Office of Regulatory Staff (“ORS”) will be participating more fully as a party of record in this proceeding, but nevertheless believes it is appropriate to offer general comments at this time.

¹ The Public Service Commission of South Carolina has electric ratemaking authority over Duke Energy Carolinas, LLC, South Carolina Electric and Gas, Carolina Power and Light d/b/a Progress Energy Carolinas, Inc. and Lockhart Power Company. Due to Lockhart Power Company’s smaller size and its total retail kilowatt-hours sales being below the threshold set forth in the U.S. Code of Federal Regulations (18 C.F.R. § 290.101), Lockhart Power Company is exempted from consideration in this matter.

DISCUSSION

Section 1251 entitled “Net Metering and Additional Standards” states that each electric utility shall (1) make available upon request net metering service to any electric consumer that the electric utility serves, (2) develop a plan to minimize dependence on one fuel source and to ensure that the electric energy sold to consumers is generated using a diverse range of fuels and technologies, and (3) develop and implement a 10-year plan to increase the efficiency of the utility’s fossil fuel generation. The Commission has two years from the date of enactment (by August 8, 2007) to initiate a proceeding to consider these standards and three years from the date of enactment (by August 8, 2008) to make a determination with respect to each standard. If, however, the Commission has implemented or conducted a proceeding to consider implementing the standard or comparable standard or the state legislature has voted on the implementation of the standard or comparable standard, then the Commission is not required to take any action.

ORS is not aware of any Commission orders or South Carolina law addressing net metering. However, this Commission currently requires electric utilities to file annually a fifteen year plan that addresses issues of forecast load, plant efficiency measures, and resource diversity among others. These plans, generally filed as Integrated Resource Plans, are filed pursuant to Commission Order No. 98-502. South Carolina Code Ann. § 58-33-430 also requires that electric utilities file a ten year forecast of loads and resources as well as a list of the major utility facilities, which in the judgment of the utility, will be required to supply system demands during the forecast period. Pursuant to S.C. Code Ann. § 58-27-865, the Commission established annual prudency proceedings to review the fuel purchasing practices and cost associated with power provided to retail

consumers of the three major investor-owned electric utilities. Thus, it appears the Commission may have addressed two of the standards set forth in Section 1251 of EPAct.

Additionally, it should be noted that this docketed proceeding (Docket No. 2005-385-E) addresses the net metering standard for the three major investor-owned electric utilities in South Carolina only and do not speak to any policies or practices of the South Carolina Public Service Authority (“Santee Cooper”), the Electric Cooperatives of South Carolina or any municipal system in the State concerning this issue.

With respect to the electric utilities for which the Commission has ratemaking authority, this proceeding offers a unique opportunity for South Carolina to adopt a program for net metering that is appropriate, beneficial and fair to the retail ratepayers of the investor-owned electric utilities in this State. While many other states have already reviewed the EPAct standards and implemented some form of net metering, South Carolina can take advantage of their experiences both positive and negative to enhance the development of procedures and guidelines for a program that best fits our State. An appropriate net metering program has the potential to promote utilization of renewable resources although there is no requirement or mandate for any particular type of generating facility. Current regulation in South Carolina allows retail customers to self-generate and the addition of net metering may have the potential to streamline the process and make it more economically attractive. South Carolina is in an enviable position in that the State has a diverse and reliable mix of generating resources from the major categories including coal, nuclear, hydro and natural gas with very little, less than 1%, dependence on and use of oil. South Carolina has continued to have adequate and reliable generation over the years, and since the overall cost per kilowatt-hour in the State

continues to be well below the national average, the State has not been as subject to the pressures to find solutions or other options as some may have experienced. ORS believes this to be a deliberate and dynamic process that will consider other topics and issues such as the costs and benefits to the entire retail class, safety aspects and measures, and reliability of an effective net metering program.

CONCLUSION

As part of the review of the standards set forth in Section 1251, it is important to consider the purposes of the Public Utility Regulatory Policies Act of 1978, as amended by EPAct. Those purposes are: (1) conservation of energy supplied by electric utilities; (2) optimization of energy supplied by electric utilities; and (3) equitable rates to electric consumers.

Respectfully submitted

OFFICE OF REGULATORY STAFF



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January 31, 2007

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2005-385-E

IN RE:

Petition of the Office of Regulatory Staff to)	
Establish Dockets to Consider Implementing)	CERTIFICATE OF
the Requirements of Section 1251 (Net)	SERVICE
Metering and Additional Standards) of the)	
Energy Policy Act of 2005)	

This is to certify that I, Pamela J. McMullan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **OFFICE OF REGULATORY STAFF'S COMMENTS** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

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Pamela J. McMullan

January 31, 2007
Columbia, South Carolina